

# Digital Banking – Customer Perception & Challenges

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## Abstract

*Digital banking is being widely introduced and accepted in the world. This study therefore aims at analyzing customer perceptions towards digital banking in India. The study also aims to identify the challenges faced by the banking industry to implement digital banking in India. Since the study is based on user perceptions of digital banking, primary data has been collected from 200 users for the purpose. Basic tools in excel such as sums and percentages for the quantitative data analysis and Participant Observation, Non-participant Observation, Field Notes, Analysis of documents and materials have been used for analysis. 87.2 percent of the sample is upto 30 years of age, out of which 83.3 percent use digital banking. Many are aware of digital banking services. The main reason for using digital banking is its availability anytime. The most widely used banking service is online fund transfer and majority respondents use it 2/3 times per week or daily. SBI is the most preferred bank. The challenges faced by the banking industry are financial illiteracy, use of technology and assurance to people of safe and secure digital banking. Security measures need to be tightened so as to gain trust of the people.*

**Keywords:** Digital Banking, Internet penetration, online fund transfer, demonetization, balance history, financial literacy.

## Introduction

Digital banking is the digitalization of banking services and allows customers to withdraw money, apply for loans and make payments online or from their smartphone. Internet banking arrived in India in the late 1990s. ICICI was the first bank to champion its usage and introduced internet banking to its customers in 1996. Even though digitalization has created a sense of freedom in the banking services, there are some security issues which resist a part of the population from using digital banking. 26% of Indian customers prefer to access services via their bank's website while some prefer to use a mobile app rather than talk to a human agent. This study aims at analyzing customer perceptions towards digital banking in India. It also aims to identify the challenges faced by digital banking and identify the solutions.

## 1. Research Objectives

- a. To analyze customer perceptions towards digital banking in India
- b. To identify the challenges faced by digital banking in India

## 2. Research Methodology

The study aims at studying the change in digital banking after demonetization. The researcher is also interested in knowing the benefits of digital banking. Both, primary and secondary data has been collected for the purpose. For primary data, randomly 200 students were distributed a questionnaire. Based on the answers data has been collected and analyzed. Basic tools in excel such as sums and percentages for the quantitative data analysis and Participant Observation, Non-participant Observation, Field Notes, Analysis of documents and materials have been used for analysis. Secondary data has been obtained from various websites.

## 3. Literature Review

MBAMA and Cajetan [1] (2018) studied customer's perception of digital banking and customer experience and satisfaction and financial performance of the banks in the UK. They came to the conclusion that banks can improve financial performance using digital banking. Customers are happy with mobile banking services. Sujana and Parmeswari [2] (2018) found that after demonetization digital banking has gained more attention. But due to illiteracy people are not accepting it. Hence there is a need for orientation programmes and educating the poor about the benefits of digitalization. In the article 'How to be truly Digital Bank' Maiya and Rajashekhara [3] (2017) mention that it is a challenge for banks to sustain and grow their business with digital disruption and new customer demands. Krisnanto [4] (2018) from Indonesia perceived that customers are happy with digital services and it makes shopping easier. Blocked accounts should be unlocked.

In the article on "Digital banking an Indian Perspective" Shettar [5] (2019) says that customer base has increased due to anywhere banking. Digitization has helped to reduce human errors and data can be accessed and analyzed anywhere which enables a strong reporting system. Varada and Shubham [6] (2018) mention in their study that with digital banking there is a major issue of security and safety of transactions. Online products are complex and need to be explained. Manual banking is more convenient. The fees charged for digital banking are also unreasonable. Adequate infrastructure is required to adopt the technology. Technological boom requires various additional legal requirements such as electronic signature and permissions.

Kumari Nidhi [7] (2016) has listed the services available in E-banking such as ECS, POS, ATM, Internet banking, Mobile banking, Electronic fund transfer such as RTGS and NEFT and smart cards. Opportunities in E-banking such as untapped rural markets, increasing internet users, computer literacy and worthy customer service are also mentioned in the paper.

## 4. Digital Banking

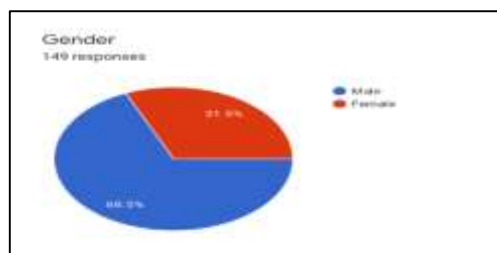
All banking activities such as withdrawals, transfers, deposits of money, applying for loans, checking balance in the account are done online i.e. they are digitized. Digital banking gives the luxury of doing banking activities without going to the bank.

Due to convenience of time and location, customers have also shifted towards digital banking. This study aims at finding out the perceptions of the customers towards digital banking. It also aims to find out the challenges faced in digital banking. Primary research was done and the following results were obtained.

### 5.1 Analysis and Discussion of Survey

#### 5.1.1 Gender of Respondents

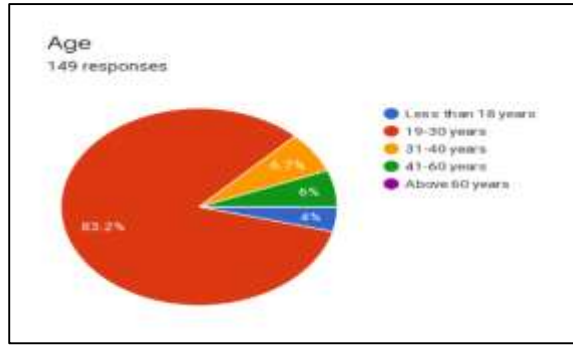
Figure 1: Gender of Respondents



Out of 149 respondents surveyed, 68.5 % are male and 31.5% respondents are female.

5.1.2 Age of Respondents

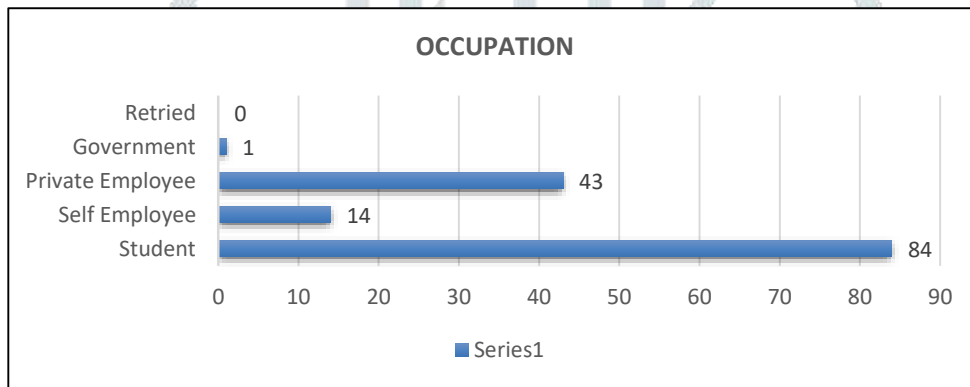
Figure 2: Age of Respondents



Out of 149 respondents surveyed, 4% respondents' age is less than 18 years, 83.2% respondents are between 19-30 years, 6.7% respondents' age group is in between 31-40 years and remaining 6% respondents are above 60 years.

5.1.3 Occupation of Respondents

Figure 3: Occupation of Respondents

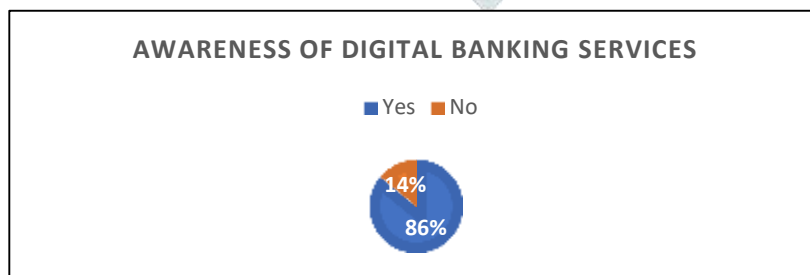


Out of 149 respondents surveyed, 1 is government employee, 43 are private employees, 14 are self-employed and remaining 84 are students.

5.1.4 Awareness of Digital Banking Services provided by the banks

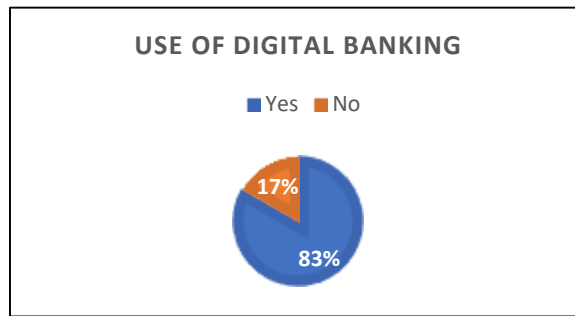
Figure 4: Awareness of E-banking Service

Figure 4 shows that 86 percent of respondents are aware of e-banking but 14 percent are not aware



### 5.1.5 Use of Digital Banking

Figure 5: Use of Digital Banking



The data in the above chart indicates that, 83.3 per cent of respondents use e-banking.

### 5.1.6 Reasons for not using digital banking services

Table 1: Reason for not using online banking services

Reasons	Percentage
Do not have Internet at home	11
Do not Trust internet services when it comes to managing my money	21
Online Service doesn't enable me to do what I want to do	11
Preference for having Personal Relations	13
Find the process too difficult	9
Not Answered	36

The data in the above table indicates that 21 percent people do not trust internet services whereas 13 percent people prefer to have personal relations.

### 5.1.7 Reasons for using Digital Banking

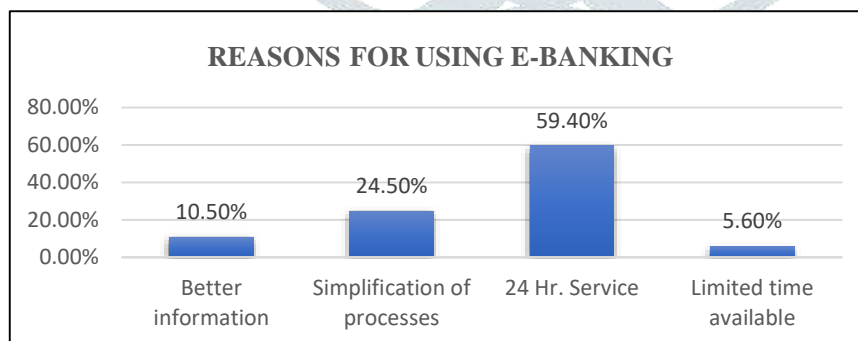


Figure 6: Reason for using Digital Banking

The data in the above chart shows that 59.40 percent people use digital banking due to 24 hours availability. Other important reason is simple processes, hence 24.5 percent people avail digital banking.

### 5.1.8 Types of Services Mostly Used

Table 2: Types of Services Mostly Used

Types of Service	Percentage of Users	No. of Respondents
Balance & Transaction History Search	16.11%	24
Online fund transfer	54.36%	81
Card to Card Transfer	6.04%	9
Request for Cheque book	0.67%	1
Booking Tickets	6.04%	9
Shopping	16.78%	25

Table 2 indicates that 54.36 percent respondents are using online fund transfer rather than going to bank and 16.78 percent do online shopping and 16.11 percent respondents use digital banking for checking account balances.

### 5.1.9 Frequency of Transactions

Figure 7: Frequency of Transaction

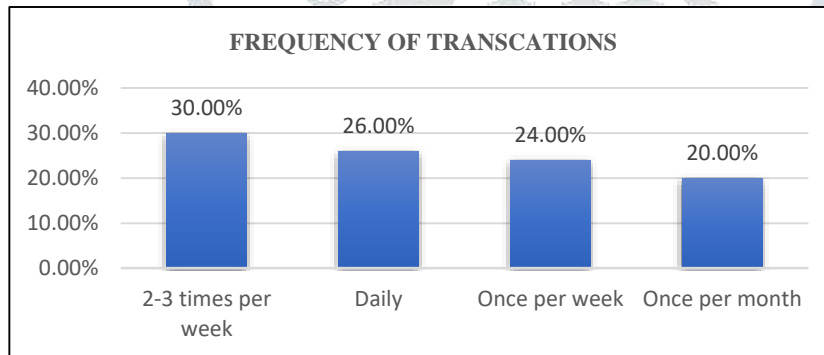


Figure 7 depicts that 30 percent of respondents do online transactions 2/3 times per week, 26 percent people do daily online transactions, 24 percent respondents operate digitally once in a week and 20 percent people use digital banking rarely, i.e. once in a month.

### 5.1.10 Preference of Banks

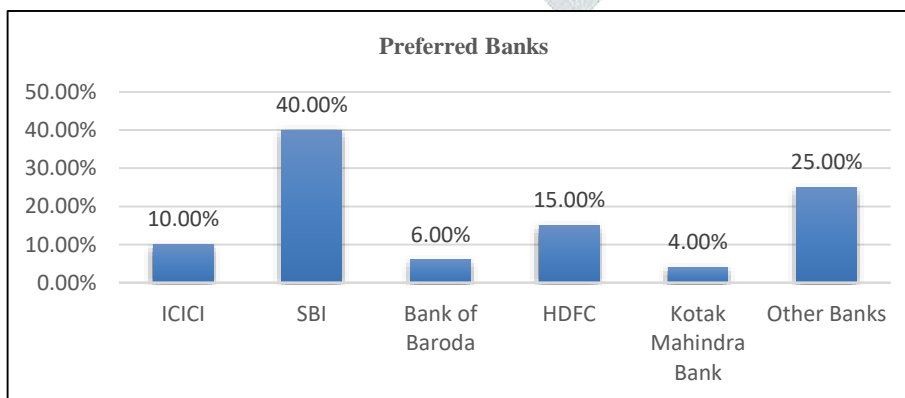


Figure 8: Preferred Bank

The data in the above chart indicates that 40 percent respondents preferred State Bank of India (SBI), 15 percent preferred HDFC, 10 percent preferred ICICI, 6 percent preferred Bank of Baroda & 25 percent respondents were comfortable banking with other banks.



## 5.2 Challenges faced by Digital Banking

The study shows that there are many hurdles faced by digital banking in India. India will have to overcome many challenges to popularize digital banking. India is a young country and therefore digital banking or cashless banking can be the future of India. The challenges faced in spreading the use of digital banking are

1. Financial Literacy – In India about 76% of the population do not understand basic financial concepts. Therefore digital banking is all the more difficult for them as there is no personal touch and financial terms and processes can be explained.
2. Internet Penetration – 50 percent of the population do not have access to internet facilities in India. Digital Banking is not possible without good broadband internet penetration. Especially in the rural areas, internet connectivity is not good or not available.
3. Preference for Traditional Banking- Customers prefer the personal touch in banking, hence digital banking services are not availed by many people.
4. Security – More secure systems need to be introduced by banks. Due to the risk of fraudulent transactions people shy from doing online transactions.
5. Difficult processes – Some people find online banking difficult as they are not skilled in the field of information technology. Hence they are unable to use online banking services.

## 6. Findings and Conclusions

The survey comprises of 87.2 percent of young people upto 30 years of age out of which 68.5 percent are male respondents and 84 percent are students. Thus the sample represents young India. 83.3 percent use digital banking, 81 percent respondents are aware of it. 21 percent respondents do not trust internet services whereas 13 percent prefer personal relations, hence do not use digital banking. 59.4 percent people use digital banking as it is available 24/7 and the most widely used banking service is online fund transfer which is used by 54.36% respondents. 30 percent use E-banking 2/3 times per week while 26% use the online banking services daily. SBI is the most preferred bank by 40% of the respondents.

Thus it can be concluded that digital banking has a very bright future in India as youngsters are tech savvy and India being a young country. But banking industry needs to overcome the challenges faced by ensuring financial literacy, use of technology and assuring people by giving safe and secure banking. Security measures need to be tightened so as to gain trust of the people.

## 7. Limitations

The study has been done of 149 respondents and mostly comprises of youngsters upto 30 years of age. Further research can be done by demographic location for rural and urban areas.

## 8. References

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